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February 2, 2017

Via Hand-Delivery

The Honorable Earl Taylor
Executive Director
Tennessee Regulatory Authority
c/o Sharla Dillon
502 Deaderick Street, Fourth Floor
Nashville, Tennessee 37243

**Re: *Petition of Piedmont Natural Gas Company for Approval of an Integrity Management Rider to its Approved Rate Schedules and Service Regulations*
Docket No. 16-00140**

Dear Mr. Taylor:

Enclosed please find an original and five (5) copies of Piedmont Natural Gas Company Inc.'s ("Piedmont") Responses to the Tennessee Regulatory Authority's ("TRA") Discovery Requests dated January 24, 2017 in the above-captioned docket.

Please file the original and four copies of this material and stamp the additional copy as "filed." Then please return the stamped copy to me by way of our courier.

This material is also being filed today by way of email to the Tennessee Regulatory Authority docket manager, Sharla Dillon.

Should you have any questions concerning this matter, please do not hesitate to contact me at the email address or telephone number listed above.

With kindest regards, I remain

Very truly yours,



R. Dale Grimes

Enclosures

cc: Dan Whitaker (CAPD)
Bruce Barkley
Pia Powers
Jim Jeffries, IV
Brian Franklin

PIEDMONT NATURAL GAS COMPANY, INC.
INTEGRITY MANAGEMENT RIDER
TRA DOCKET NO. 16-00140
TRA STAFF DATA REQUEST NO. 1
Date Issued: January 24, 2017

1. Explain in detail the revisions made in the calculations of the IMRR due to the Protecting American from Tax Hikes Act of 2015 and tax normalizations.

Response: Piedmont made one modification to the methodology used in the computation of the Integrity Management Revenue Requirement ("IMRR") in order to comply with IRS tax normalization requirements. That modification was to the calculation of the accumulated deferred income tax ("ADIT") rate base deduction. Specifically, Piedmont included the use of 50% bonus depreciation for the computation of ADIT for each investment vintage and also took into account the Company's Tennessee's jurisdictional net operating loss ("NOL") carryover. In the calculation of the IMRR, the NOL offsets some of the ADIT rate base deduction, limited to the lesser of the total ADIT benefit calculated on IM property or the amount of the Tennessee jurisdictional NOL. This limitation assures that the benefit from the NOL offset only includes the benefit from the accelerated depreciation on the IMR property, thus avoiding a violation of IRS tax normalization requirements.

Response provided by Piedmont Natural Gas on February 2, 2017.

PIEDMONT NATURAL GAS COMPANY, INC.
INTEGRITY MANAGEMENT RIDER
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2. The Petition states these adjustments did not result in a materially different revenue requirement. Provide the revenue requirement impact due to these changes.

Response: The computed total IMRR for the annual period beginning January 1, 2017 is \$23,047,956, as detailed in Piedmont's 2016 IMR annual report filing. However, had Piedmont not revised its methodology for calculating the ADIT rate base deduction, the computed total IMRR for the annual period beginning January 1, 2017 would have been \$23,174,328. In other words, the Company's implementation of the modified methodology (driven by the need to remain in compliance with IRS tax normalization requirements) results in a \$126,372 annual savings to customers.

Response provided by Piedmont Natural Gas on February 2, 2017.

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3. Provide the estimated impact of the proposed total IMRR rate change on the average residential customer's bill by month and annually.

Response: The proposed IMR rate change for residential customers, as shown in the Company's filed 2016 IMR annual report, is a \$0.02980 per therm increase. This rate increase results in a \$1.83 per month (or \$21.92 per year) bill increase for the typical residential customer. See attachment for the support for these calculations.

Response provided by Piedmont Natural Gas on February 2, 2017.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 2, 2017, a copy of the attached was served on the following by electronic mail and by depositing a copy of the same in the United States Mail, First Class Postage Prepaid, addressed as follows:

Wayne Irvin
Emily Knight
Office of the Attorney General
Consumer Advocate and Protection Division
P. O. Box 20207
Nashville TN 37202

R. J. Minnis
